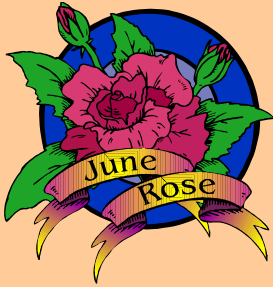


June 2003



North Dakota REV-E-NEWS

**From Pam Sharp, Director
Office of Management and Budget
600 E. Blvd. Ave. , Dept 110 - Bismarck, ND 58505-0400**

The Jobs and Growth Tax Relief Reconciliation Act of 2003 was recently passed which will result in nearly \$70.0 million of fiscal relief for North Dakota. We will receive \$50.0 million in the form of a block grant that will be distributed in two \$25 million payments – one in July and the second payment in October. In addition, North Dakota will receive \$19.6 million in the form of increased federal Medicaid reimbursement (FMAP).

The \$50.0 million block grant will go into the general fund, which will bolster the projected ending balance for the 2003-05 biennium. Tax relief provisions of the Act will reduce individual and corporate income tax collections by approximately \$14.0 million during the 2003-05 biennium.

The Department of Human Services intends to use \$8.0 million of the projected \$19.6 million enhanced FMAP to support Medicaid benefits that otherwise would have been eliminated. The remaining

\$11.6 million will replace general funds and those funds will be carried forward to the 2005-07 biennium to maintain Medicaid services.

North Dakotans should receive about \$27.0 million in child care credit checks this summer which will very likely result in increased sales tax

collec-
tions.

However, because those receiving the checks could choose to spend the money on taxable

items, use it to pay off debt, put it into savings, or spend it on services that are not taxable, the economic impact is difficult to quantify.



Oil Activity

Oil production in North Dakota averaged 84,400 barrels per day in April, up from March's production of 81,600 barrels per day. Fifteen oil rigs are currently drilling in North Dakota compared to 11 oil rigs drilling one year ago. The current price of oil is approximately \$16 per barrel.

Comments or Questions???

Call
Pam Sharp, Director
Phone: 701-328-4904
Fax : 701-328-3230
E-mail : sfranklin@state.nd.us

Visit the North Dakota web site at
www.discovernd.com

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to March 2003 Legislative Forecast
2001-03 BIENNIUM
May 2003

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 Forecast	Actual	Variance	Percent	March 2003 Forecast	Actual	Variance	Percent
Sales Tax	28,336,000	23,764,794	(4,571,206)	-16.1%	611,947,672	607,200,051	(4,747,621)	-0.8%
Motor Vehicle Excise Tax	5,123,000	5,280,676	157,676	3.1%	114,956,068	114,222,722	(733,346)	-0.6%
Individual Income Tax	14,402,000	15,558,447	1,156,447	8.0%	387,936,035	387,358,527	(577,508)	-0.1%
Corporate Income Tax	2,974,000	2,067,000	(907,000)	-30.5%	80,840,786	79,777,010	(1,063,776)	-1.3%
Insurance Premium Tax	4,900,000	4,082,955	(817,045)	-16.7%	48,547,621	46,717,729	(1,829,892)	-3.8%
Financial Insitutions Tax	10,000	27,892	17,892	178.9%	5,190,000	6,216,743	1,026,743	19.8%
Oil & Gas Production Tax		-			39,159,000	39,856,219	697,219	1.8%
Gaming Tax	2,350,000	1,874,692	(475,308)	-20.2%	27,144,093	26,948,217	(195,876)	-0.7%
Interest Income	138,000	39,248	(98,752)	-71.6%	7,056,737	6,695,657	(361,081)	-5.1%
Oil Extraction Tax		-			22,841,000	22,143,781	(697,219)	-3.1%
Cigarette & Tobacco Tax	1,619,000	1,587,526	(31,474)	-1.9%	38,019,439	37,608,077	(411,362)	-1.1%
Departmental Collections	1,350,000	1,518,499	168,499	12.5%	55,511,414	55,935,063	423,649	0.8%
Wholesale Liquor Tax	466,000	500,860	34,860	7.5%	10,632,434	10,664,418	31,984	0.3%
Coal Conversion Tax	1,914,000	1,965,458	51,458	2.7%	44,719,793	44,993,708	273,915	0.6%
Mineral Leasing Fees	400,000	479,170	79,170	19.8%	6,304,468	6,585,738	281,270	4.5%
Bank of North Dakota-Transfer					45,000,000	45,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					1,363,392	1,363,392	-	0.0%
Other Transfers		810	810	100.0%	18,818,379	18,819,517	1,138	0.0%
Total Revenues and Transfers	63,982,000	58,748,027	(5,233,973)	-8.2%	1,565,988,331	1,558,106,569	(7,881,762)	-0.5%

* Oil and gas production and oil extraction tax collections totaled \$3,059,213 in May. Because the \$62 million statutory cap for the 2001-03 biennium has been attained, all of the May collections will go to the Permanent Oil Tax Trust fund. That amount plus \$1.5 million from April collections will go into the Permanent Oil trust Fund and will be deposited into the general fund in July 2003 accordnace with HB 2015.

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2001-03 BIENNIUM
May 2003

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	May 2001	May 2003	Variance	Percent	1999-01	2001-03	Variance	Percent
Sales Tax	31,210,952	23,764,794	(7,446,157)	-23.9%	583,145,537	607,200,051	24,054,515	4.1%
Motor Vehicle Excise Tax	2,411,962	5,280,676	2,868,713	118.9%	103,468,282	114,222,722	10,754,440	10.4%
Individual Income Tax	15,116,615	15,558,447	441,831	2.9%	398,329,557	387,358,527	(10,971,030)	-2.8%
Corporate Income Tax	1,504,022	2,067,000	562,977	37.4%	85,505,858	79,777,010	(5,728,849)	-6.7%
Insurance Premium Tax	3,870,996	4,082,956	211,960	5.5%	38,044,258	46,717,729	8,673,471	22.8%
Financial Insitutions Tax	4,447	27,892	23,445	527.2%	5,435,833	6,216,743	780,910	14.4%
Oil & Gas Production Tax*					38,433,365	39,856,219	1,422,854	3.7%
Gaming Tax	2,382,566	1,874,692	(507,874)	-21.3%	26,564,328	26,948,217	383,890	1.4%
Interest Income	594,980	39,248	(555,732)	-93.4%	17,608,333	6,695,657	(10,912,676)	-62.0%
Oil Extraction Tax*					23,566,635	22,143,781	(1,422,854)	-6.0%
Cigarette & Tobacco Tax	1,680,481	1,587,526	(92,956)	-5.5%	39,966,872	37,608,077	(2,358,795)	-5.9%
Departmental Collections	1,259,787	1,518,499	258,712	20.5%	38,958,828	55,935,063	16,976,235	43.6%
Wholesale Liquor Tax	479,998	500,860	20,862	4.3%	9,824,061	10,664,418	840,358	8.6%
Coal Severance Tax	733,097	-	(733,097)	-100.0%	21,327,327	775,794	(20,551,533)	-96.4%
Coal Conversion Tax	1,135,514	1,965,458	829,945	73.1%	24,587,631	44,217,914	19,630,283	79.8%
Mineral Leasing Fees	415,721	479,170	63,448	15.3%	9,363,169	6,585,738	(2,777,430)	-29.7%
Bank of North Dakota-Transfer					35,000,000	45,000,000	10,000,000	28.6%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					1,380,608	1,363,392	(17,216)	-1.2%
Other Transfers	2	810	808	100.0%	2,142,889	18,819,517	16,676,628	778.2%
Total Revenues and Transfers	62,801,141	58,748,027	(4,053,114)	-6.5%	1,502,653,370	1,558,106,569	55,453,199	3.7%

* Oil and gas production and oil extraction tax collections totaled \$3,059,213 in May 2003. Because the \$62 million statutory cap for the 2001-03 biennium has been attained, all of the May collections will go to the Permanent Oil Tax Trust fund. That amount plus \$1.5 million from April collections will go into the Permanent Oil trust Fund and will be deposited into the general fund in July 2003 accordance with HB 2015.

* Oil and gas production and oil extraction tax collections totaled \$4.3 in May 2001. A total of \$9.6 million was reserved for deposit into the Permanent Oil Tax Trust Fund

Revenue Variances

The following comments are based on the May revenue collections compared to the March 2003 revenue forecast.

Sales tax collections in May fell behind projections by \$4.6 million or 16.1 percent. The shortfall appears to be a timing difference based on the fact that the month ended on a weekend and sales tax collections were very strong in early June. Collections have remained strong throughout the month.

Motor vehicle excise tax collections exceeded projections by \$157,676 or 3.1 percent in May. Biennium-to-date collections are now \$733,346 or 0.6 percent behind projections.

Individual income tax collections exceeded May projections by \$1.2 million or 8.0 percent and have continued to come in strong in June. Biennium-to-date collections are now \$577,508 or 0.1 percent below projections.

Corporate income tax collections fell below projections in May by nearly \$1.0 million or 30.5 percent. This shortfall has already been made up in

June. Biennium-to-date collections at the end of May were \$1.1 million or 1.3 percent below projections.

Oil tax collections reached the \$62.0 million statutory cap in April, therefore, all of the May oil tax collections, which amounted to \$3.0 million, will be reserved for deposit into the Permanent Oil Tax Trust fund.

July Newsletter to be Late

June 30, 2003, marks the end of the 2001-03 biennium. Because it is the last month of the biennium, the accounting system does not close until the fourth week of July to ensure that all expenditures and revenues pertaining to the 2001-03 biennium are properly applied back to that biennium. As a result, the next *Rev-E-News* will not be mailed until early August.

Office of Management and Budget
600 East Blvd. Ave., Dept 110
Bismarck, ND 58505-0400
ADDRESS SERVICE REQUESTED
We're on the Web! www.state.nd.us/fiscal

